Technology to Improve Performance

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Goal and Objectives

Goal:

Identify technology solutions that can address the key "pain points" CDFIs experience in microfinance lending operations.

Objectives:

- Provide an overview of the lending lifecycle.

- Have participants identify 'pain points' along the lifecycle.

- Identify well-established and aspirational technology solutions that can improve performance and efficiency.

Agenda

- Defining technology
- The lending process
- Industry lending performance
- Reflection on lending "pain points"
- Technologies to improve the lending process
- *Case examples*: Using technology to improve the lending process
- *Small group exercise*: Exploring your technology capacity and interests

Warm-Up

What words come to mind when you think about integrating new technology into your lending processes?

What is Technology?

"The science of the application of knowledge to practical purposes **:** applied science"
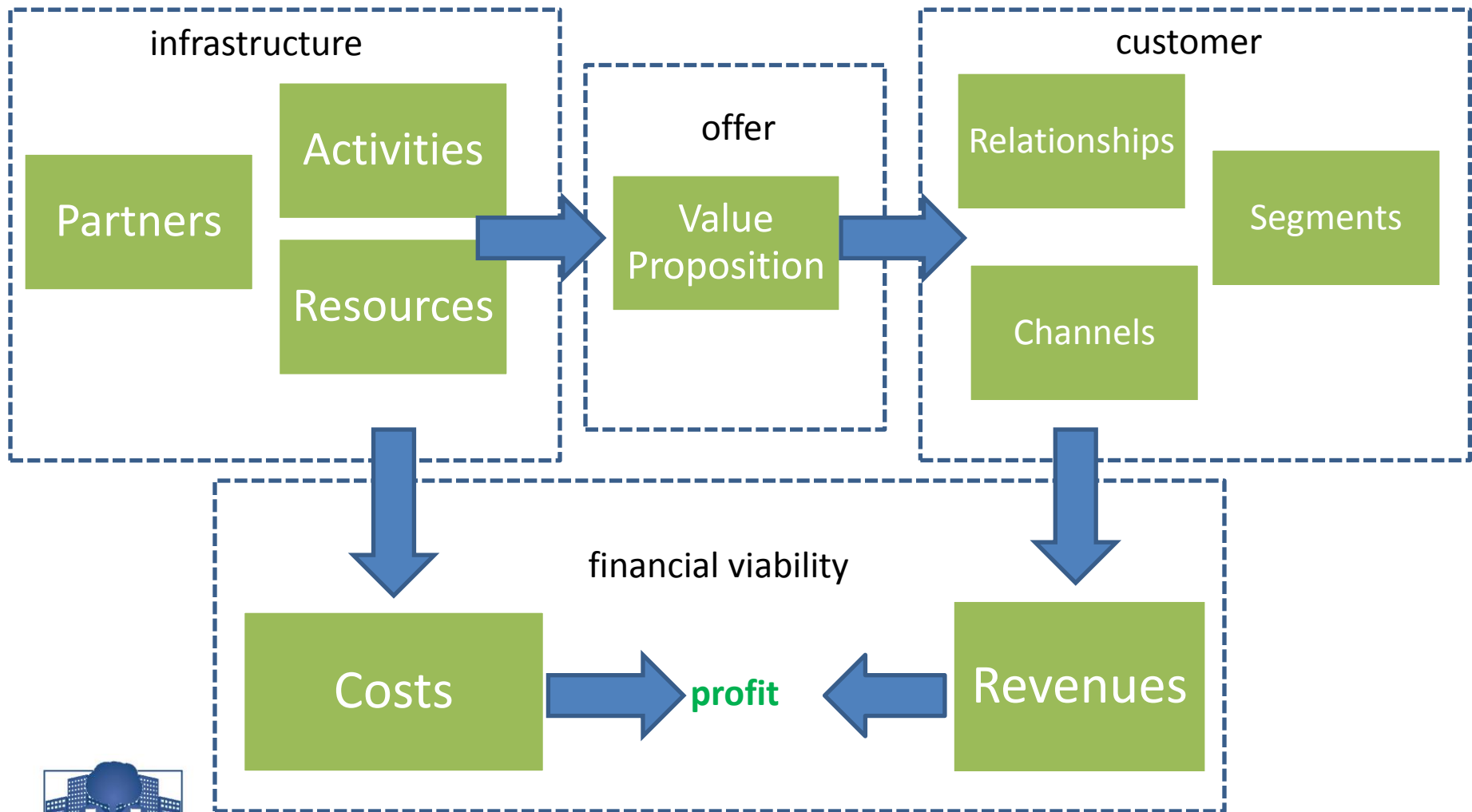
– *Merriam Webster*

"The purposeful application of information in the design, production, and utilization of goods and services, and in the organization of human activities"
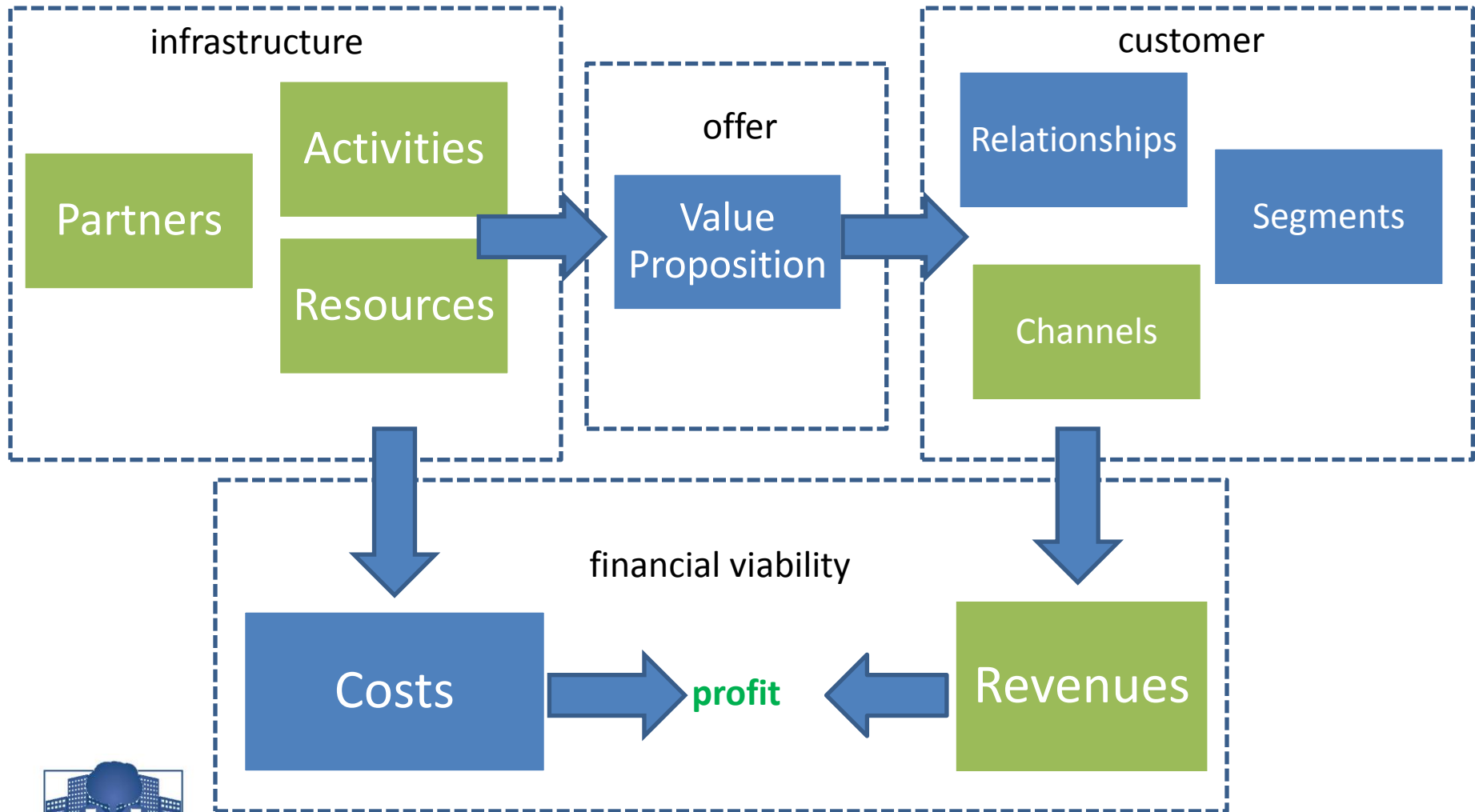
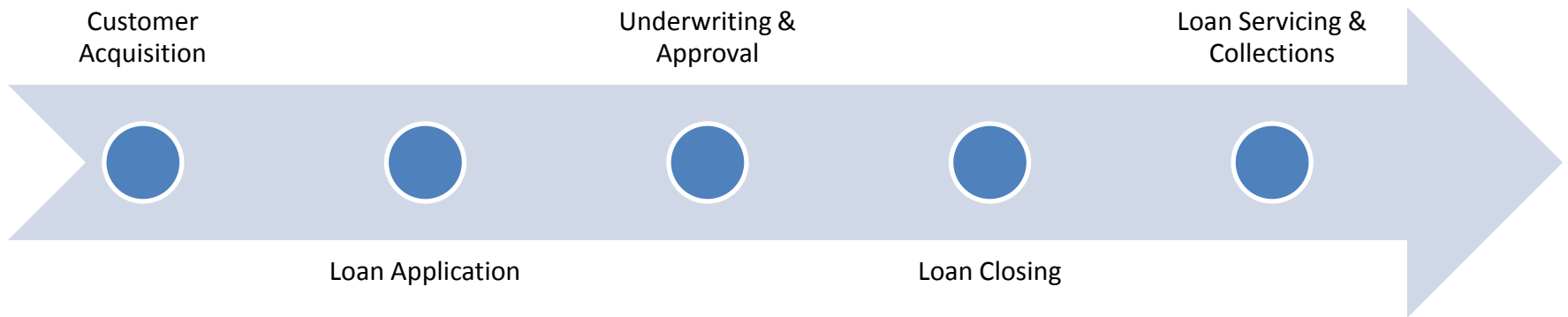– *Businessdictionary.com*

Read more: http://www.businessdictionary.com/definition/technology.html#ixzz26Gx5KkmB

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Business Model Canvas

Business Model Canvas

The Lending Process

The Lending Process

- **Customer acquisition:** Marketing and outreach, initial screening of applicants.

- **Loan application:** Completion and submission of loan application and related documents.

- **Underwriting and approval:** Pulling of credit report, analysis of loan, determining pricing and structure/term of loan, process/mechanism by which the decision is made (loan officer, loan committee).

- **Loan closing:** Creation and signing of documents, perfection of collateral and liens (UCC filings), issuance of proceeds/funds, estab. of payment process.

- **Loan servicing and collections:** Generating reports on loan payments, reporting to credit bureaus, issuing of statements, collection and posting of payments, assessment of fees, adjustment of loss reserves/risk ratings, support to delinquent borrowers, decisions regarding restructuring and/or charge-offs, notification of write-off to borrower, collection/repossession of collateral, workout of loans that have been written off.
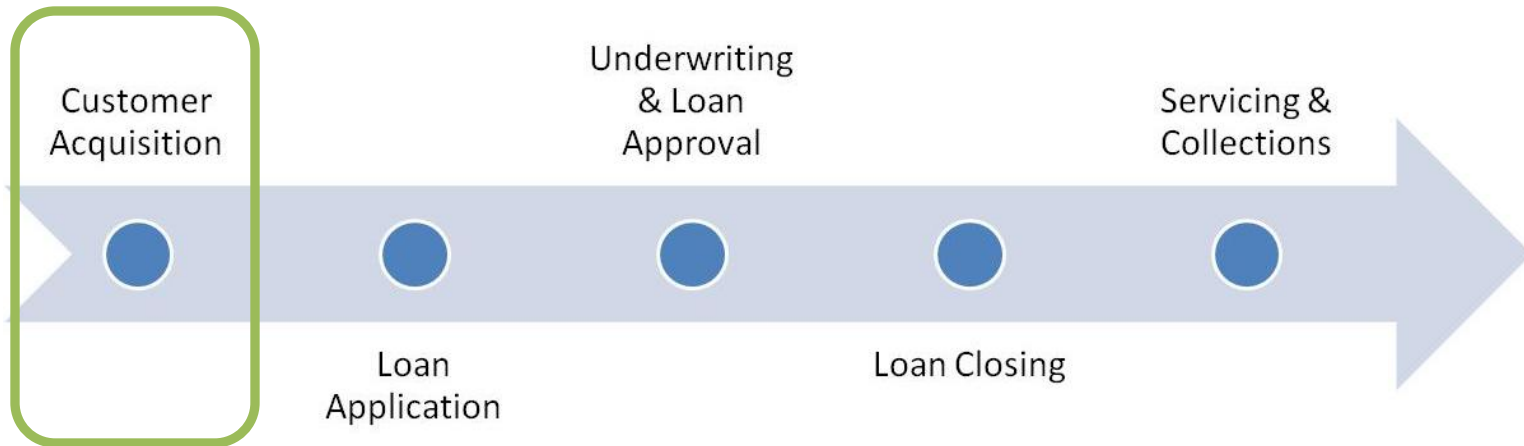
Identify your CDFI's Key Pain Points in the Lending Process

1. What causes you the most headaches?

2. Where do your current or potential clients get most frustrated?

3. Thinking about performance data, what are the pain points for your organization – too few originations, low portfolio quality, high costs, etc.?
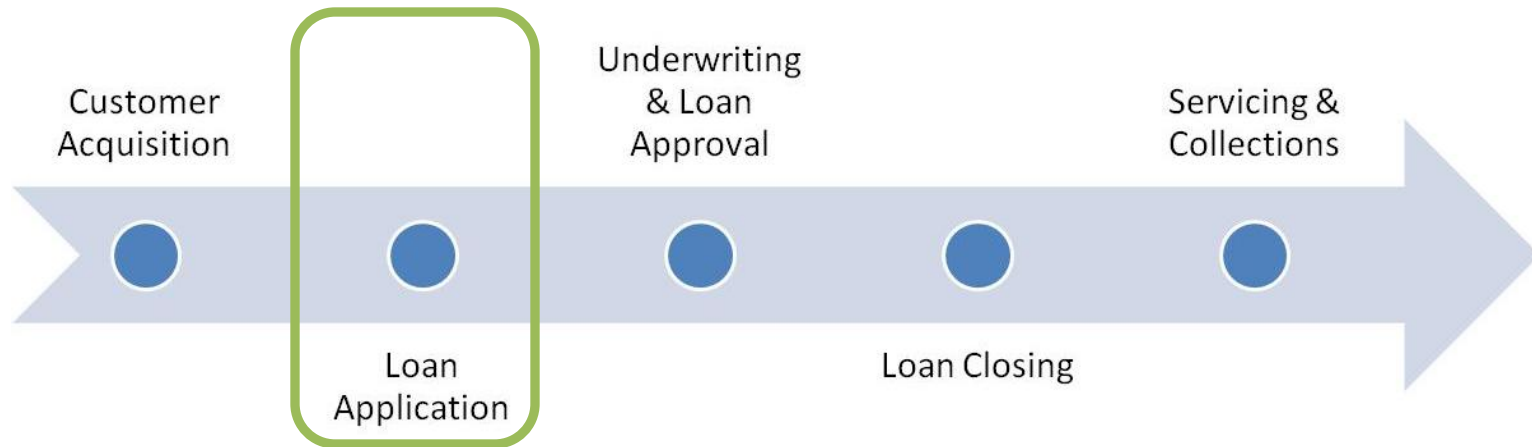
Technologies to Improve the Lending Process

- Social media for marketing
- Customer Relationship Management (salesforce, Artoo)
- Interactive Voice Response (IVR)
- On-line lead generation (Google ads)
- Search Engine Optimization (SEO)
- Text messages

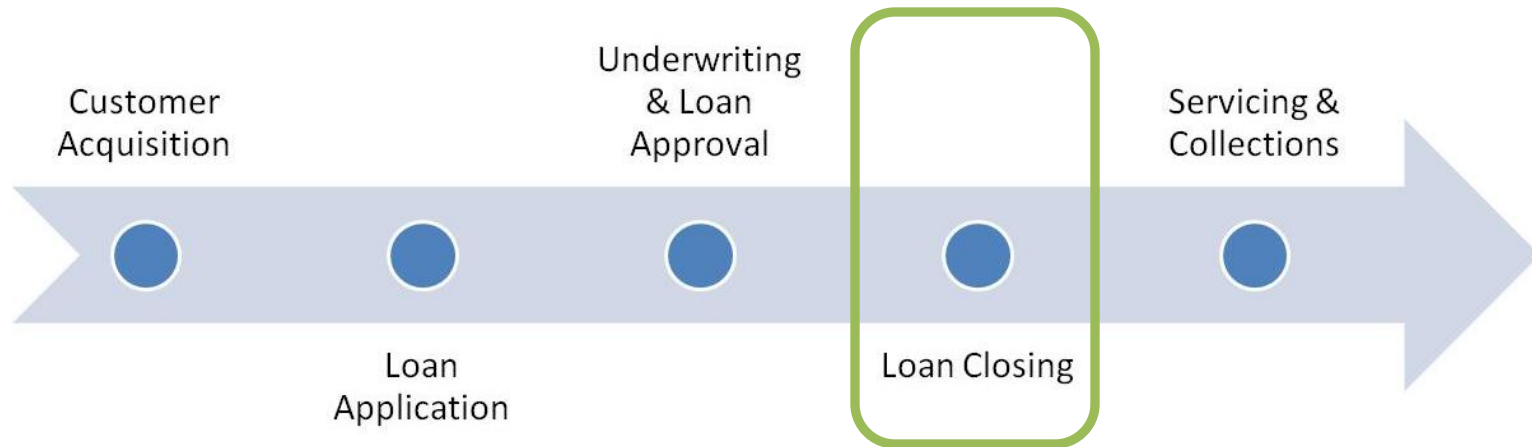# Technologies to Improve the Lending Process

- – On-line loan applications (ACCION East, MMS)
- – Using tablets, mobile phones, cameras, scanners, etc. to gather loan application info/documentation (Intersect Fund, Opportunity Fund, InSight/InVenture)

Technologies to Improve the Lending Process
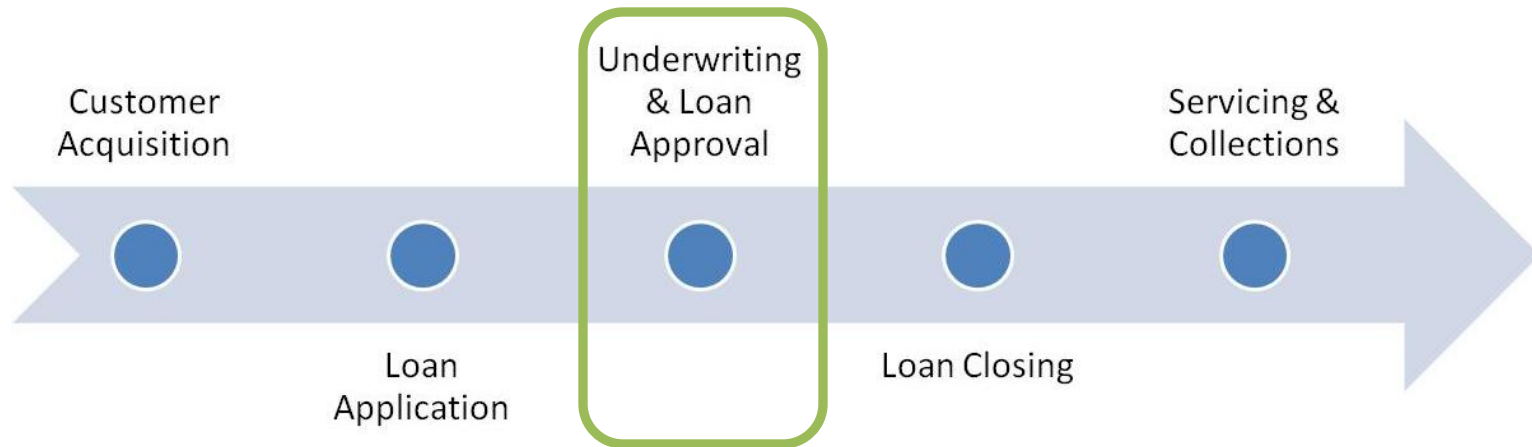
- Credit evaluation grids
- Statistical scoring models (MMS, build your own – ACCION East, Progreso Financiero; JP and OnDeck; InVenture)
- Use of alternative credit data (Demyst Data, Cignifi)
- On-line pulling of credit reports (Intersect Fund)
- Loan committees vs. staff approvals

Technologies to Improve the Lending Process

- Outsourcing of document preparation (MMS, banks)
- Prepaid cards (Progreso Financiero)
- Electronic signatures (RightSignature)
- Partnerships for loan closing meetings

Technologies to Improve the Lending Process

Customer Acquisition — Loan Application — Underwriting & Loan Approval — Loan Closing — Servicing & Collections
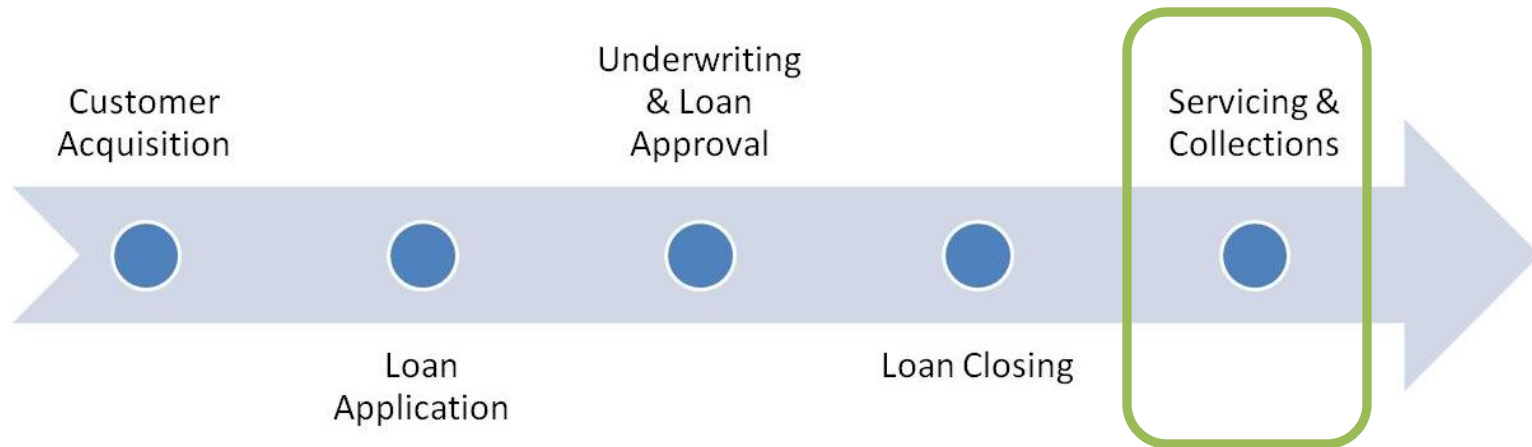
- Outsourcing (MMS, Banks, etc.)
- Mobile (payment reminders, provision of TA: InSight)
- Reporting to credit bureaus – (CBA)
- Payment processing - (prepaid cards)
- Loan servicing software